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ABSTRACT

Although conventional wisdom indicates that temporary workers are becoming the norm and full-time workers are becoming an anachronism, statistics do not bear this position out. The truth includes the following facts: (1) companies are using more temporary workers, but these new employment arrangements provide new entry points into the labor market and serve as a bridge to more traditional employment relationships for new labor market entrants and dislocated workers; (2) many firms use temporary-help services as a recruiting tool and an extension of their human resources departments; (3) the growth of the contingent work force reflects not just the business need for flexibility but also employees' demands for flexibility; (4) the contingent work force not only represents secretarial but also technical, professional and managerial workers; and (5) smaller firms often use temporary workers to keep cost down while staffing during peak operating times. Both public and private sectors can learn from the temporary help industry's expertise in testing, training, and placement of workers. (KC)

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The 'Contingent' Workforce: Temporary Phenomenon or Permanent Fixture?

Are full-time, permanent workers becoming an anachronism? That's been the conventional wisdom since the 1980s, when the use of contingent workers and alternative work arrangements was tagged a new labor market trend that threatened traditional, full-time jobs.

The truth about the new world of work is less dramatic and less negative for workers:

- Companies are indeed making greater use of temporary and part-time workers — but these new employment arrangements provide new entry points into the labor market and serve as a bridge to more traditional employment relationships for new labor market entrants and dislocated workers. Many companies, in fact, are using temporary-help firms as an extension of their human resources department.
- The growth of the contingent workforce reflects not just the business need for flexibility but also employees' demands for flexible work schedules and employment. Many temporary positions provide both training and work experience that strengthen the link to the labor market.
- The contingent workforce and the temporary-help industry have gone upscale, representing not only secretarial but also technical, professional and managerial workers. They earn salaries and benefits that reflect their higher skills. And some companies are creating their own internal "temporary" workforce, which provides greater flexibility.

The data and descriptions of today's new work arrangements, while sometimes inadequate and clouded, deserve attention. Indeed, many temporary-help companies have very sophisticated testing, skill assessment, training and placement services that may provide important lessons for public-sector initiatives, such as one-stop career centers.

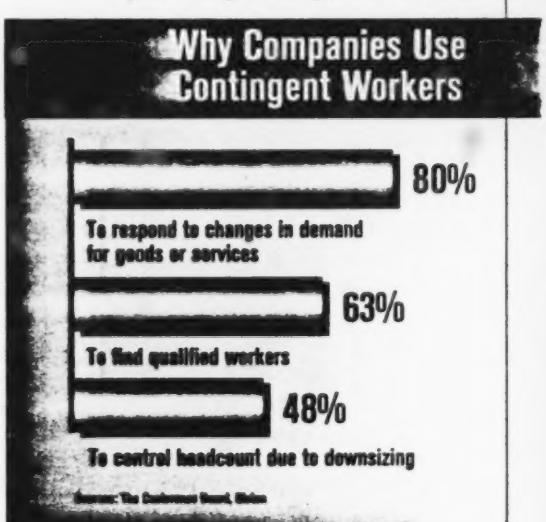
Just-in-Time People

Today's seemingly "new" work arrangements have in fact been part of the labor market landscape for more than 50 years. The temporary-help industry — led by companies such as Adia, Kelly, Manpower and Olsten — has thrived for many years. Many of these companies provide services internationally; the industry is not unique to the United States.

What is new about the contingent workforce is the innovative ways companies are working with "just-in-time people" to get jobs done. No longer are contingent employees called upon simply to answer the phones when the secretary is on vacation. Instead, more than 80 percent of firms responding to a recent Conference Board survey report that they use contingent workers as a way to respond to changes in demand for their goods and services.

Companies also are using contingent workers to find qualified, full-time employees. In a recent Olsten survey, 63 percent of human resource executives report using temporary-help firms to find qualified workers. Indeed, some companies are using these firms as an adjunct to their human resources department — and using them as an effective and efficient screening and hiring device.

Structural changes in the economy, evidenced by corporate restructuring and the boom in small- and mid-sized companies, also are fueling the use of contingent workers. In the Conference Board survey, 48 percent of firms responding report using contingent workers to


Why Companies Use Contingent Workers
80%
To respond to changes in demand for goods or services
63%
To find qualified workers
48%
To control headcount due to downsizing

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control headcount due to downsizing. Conversely, smaller companies gain economies of scale in services that they could not provide efficiently otherwise. Smaller companies were more likely to contract out machine maintenance, accounting, engineering, drafting and computer services, according to a study by Katharine G. Abraham and Susan K. Taylor.

Alternative work arrangements give companies the flexibility they need to stay responsive in a competitive marketplace. But they also provide employees with flexibility. The 1994 Profile of the Temporary Workforce from the National Association of Temporary and Staffing Services (NATSS) bears this out. More than two-thirds of temporary employees report that alternative work arrangements provide them with flexibility to meet family responsibilities, take advantage of education or training, learn new skills or position themselves for a full-time job. Indeed, the testing, training and placement expertise offered by temporary-help firms helps employees navigate the job market.

Getting the Facts Straight

While consistent data on new employment relationships are not available, it is clear from existing data that the contingent workforce has remained a constant — and much smaller — feature of the labor market over time than is widely believed.

• ***Part-time employment***, by far the largest component of alternative work arrangements, has grown modestly.

From 1969 to 1995, part-time employment increased its share of total employment by 4.1 percentage points, representing 14.5 percent of all jobs in 1969 and 18.6 percent of all jobs in 1995. Further, contrary to conventional wisdom, more than four in five people with part-time jobs prefer it that way — a fact that has changed little in 26 years. In 1995, only 18.4 percent of all part-time work was involuntary, or for "economic reasons," compared to 18.2 percent in 1969. Part-time employment ebbs and flows with the business cycle, as does the proportion of involuntary part-time workers.

In addition, part-time employment in many European countries has grown faster and represents a much larger part of employment than in the United States, according to a report by the International Labour Office for a G-7 employment conference. For instance, in both Japan and the United Kingdom, more than 21 percent of total employment was part-time.

From 1973 to 1994, the share of total employment represented by part-time employment has grown by 7.3 percentage points in Canada, 9 percentage points in France, 7.5 percentage points in Japan and 7.8 percentage points in the United Kingdom, compared to just 3.3 percentage points in the United States.

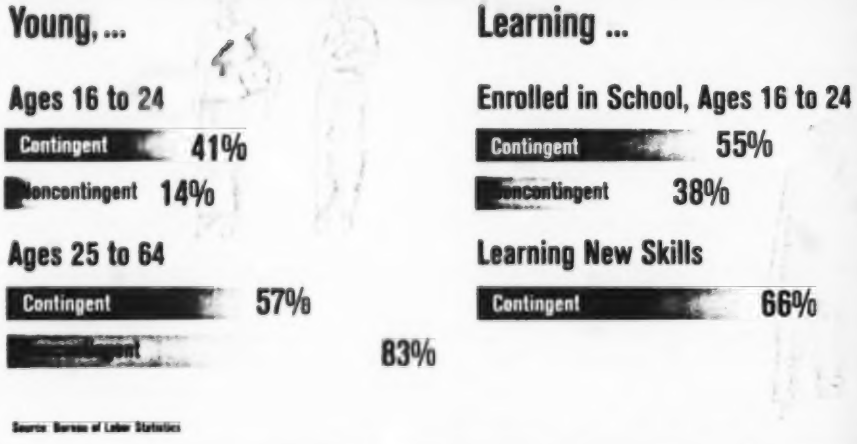
• ***Self-employment***, another component of the contingent workforce, accounts for a relatively constant share of total employment, representing 7.4 percent of total nonfarm employment in 1970, compared to 7.6 percent in 1995.

Interestingly, this part of the contingent workforce contains some of the most educated and well-paid professionals in the economy. Just over 62 percent of independent contractors have education beyond high school, compared to just under 58 percent of workers in "traditional" employment arrangements.

• ***Employment in temporary-help firms*** has grown dramatically over the past 15 years — but still represents a small fraction of total employment. In 1980, employment in temporary-help firms represented 0.6 percent of total employment, compared to 2.1 percent in 1995. Total employment within the industry, including temporary-help and outplacement firms, grew by 1.8 million from 1980 to 1995.

The nature of these jobs has changed dramatically as well. Temporary-help firms are answering business needs for highly skilled workers in specialized occupations

A Snapshot of the Contingent Workforce



Source: Bureau of Labor Statistics

— even doctors and lawyers. Alliance member The Experts of Cambridge, Mass., places computer programmers, for example. To demonstrate their quality to their clients, temporary-help firms such as Adia and Manpower are ISO 9000-certified.

Even traditional businesses are getting into the temporary-help business, "leasing" their own employees to other business units or even other companies during down times. AT&T's Career Placement Alternatives created Resource Link to place employees whose jobs were eliminated in temporary management and technical positions throughout AT&T.

Instead of considering the contingent workforce as part-time, self-employed and temporary-help workers, the Bureau of Labor Statistics (BLS) defines contingent work in terms of whether the employment arrangement is expected to last for longer than a year. Using this definition, the BLS estimates that between 2.2 percent and 4.9 percent of the workforce is contingent. The smaller estimate only includes wage and salary workers; the broader estimate includes independent contractors and self-employed persons.

Looking Behind the Numbers

Using data from BLS, a study by the Federal Reserve Bank of Chicago and NATSS, we can begin to paint a richer picture of the contingent workforce. There are important differences among persons in contingent versus traditional employment.

First, younger workers and people enrolled in school are disproportionately represented in contingent work, according to BLS data. For instance, 41 percent of contingent workers are between the ages of 16 and 24, compared to 14 percent of noncontingent workers. Almost 57 percent of contingent workers are between 25 and 64 years old, compared to 83 percent of noncontingent workers. At the same time, more than 55 percent of contingent workers between ages 16 and 24 are enrolled in school, compared to 38 percent of noncontingent workers.

Education of contingent workers versus noncontingent workers varies. For instance, 14 percent of contingent workers have less than a high school diploma, compared to 10 percent of noncontingent workers. But beyond high school, there is no difference in education levels between contingent and noncontingent workers: 58 percent of both contingent and noncontingent workers have education beyond high school.

The composition of the temporary labor force is changing dramatically, according to a study by the Federal Reserve Bank of Chicago. The share of men in the industry has increased significantly over the last 10 years, from 25 percent in 1983 to 38 percent in 1993. The NATSS Workforce Profile shows a similar pattern: Males accounted for 28 percent of total employment in 1994, up from 20 percent in 1989.

The proportion of employment

What's in a Name

Audrey Freedman, an economic consultant, coined the term "contingent" work in the mid-1980s to describe the range of new employment relationships in the labor market. Most discussions of new employment arrangements lump together several distinct types of employment that are not as homogeneous as a simple label would suggest. Moreover, consistent data describing these new relationships are in short supply.

For example, a recent Bureau of Labor Statistics (BLS) study estimated the number of contingent workers at between 2.7 million and 6 million workers, or between 2.2 percent and 4.9 percent of total employment, according to three different definitions of "contingent" work.

The BLS differentiates between contingent and alternative work arrangements. Contingent workers are those who do not have an explicit or implicit contract for ongoing employment. Workers with alternative work arrangements, on the other hand, are those whose work is contracted through an intermediary, such as a temporary-help agency or an employee-leasing arrangement.

Other work examining alternative or contingent work focus on the nature of the employment relationship. For instance, many studies have included part-time workers, temporary workers, independent contractors and the self-employed in their definitions of contingent work.

and Earning.

Average Hourly Wage

Contingent	$9.07
Noncontingent	$11.73

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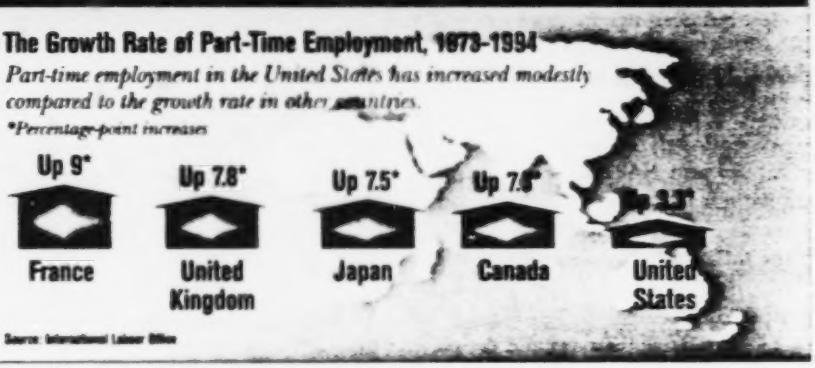
The Global Growth of Part-Time Employment



in blue-collar occupations has jumped dramatically, rising from 9 percent of total industry employment in 1983 to 23 percent in 1993. This may reflect a new trend in manufacturing and construction industries to keep costs down by hiring temporary employees to respond to cyclical and seasonal changes in demand.

Temporary work also seems to fill a niche for employees trying to find their way back into the labor market, according to the Federal Reserve Bank of Chicago. Workers in the temporary-help industry were more than 2.5 times more likely to have been previously unemployed than other workers, and twice as likely to have been out of the labor force before taking temporary work.

Temporary positions afford employees an opportunity to assess and build their skills. More than 66 percent of those surveyed by NATSS reported that they learned new skills as temporary employees, while 29 percent reported receiving 20 or more hours of skills training. Indeed, temporary-help firms such as Alliance member Adia routinely provide skills assessment and training.

These data suggest that the temporary-help industry serves as an important bridge back into the labor market. Temporary jobs are not dead-end jobs at all: They lead right back into the traditional labor market. One signal of that transition is the employee turnover rate, which NATSS estimates is between 400 percent and 450 percent. Fewer than one-third of temporary workers are still temping one year later, while more than half are in permanent, full-time positions, according to the Federal Reserve Bank of Chicago.

In addition, today's temporary jobs do not fit the stereotype of low-paying clerical work with few benefits. It is not enough to compare average hourly earnings of temporary workers and their counterparts in private-sector industries. In January 1996, average hourly earnings of temporary workers were 23 percent less than those for the private sector across all industries — $9.07 compared to $11.73. But that lower wage fails to take into account that temporary workers are younger and less experienced than other workers.

In fact, when the earnings data are examined carefully, the wage story is neither as simple nor as bleak as aggregate comparisons suggest. For example, white-collar temporary employees actually earn 2.4 percent more than other workers. Pink-collar temporary workers earn 10 percent less, and blue-collar temporary workers earn 34 percent less than their counterparts.

The same tenor holds with benefits. Depending on the estimate, BLS finds that between 57 percent and 65 percent of temporary workers receive health insurance benefits, or between 17 and 25 percentage points lower than the percent of noncontingent workers. Lower percentages of temporary workers receive other benefits than other workers as well, NATSS finds.

Clearly, however, the high turnover and youthfulness of the workforce explain the lower coverage rate. Many of the largest temporary-help firms do offer health, vacation and pension plans, even 401(k)s, comparable to those available in the private sector. NATSS itself offers a national health care plan to temporary-help firms.

Implications

The contingent workforce and the temporary-help industry are neither as prevalent nor as predatory as conventional wisdom suggests. They serve a useful purpose for both companies and workers in search of the flexibility that today's workplaces and lifestyles demand.

The sector also plays an increasingly vital role as a bridge to new labor market opportunities for displaced or unemployed workers. The remarkable churning in this sector clearly indicates the constant transitioning of temporary workers who learn new skills, gain new job experiences and expand their networks — helping them move on to "permanent" positions.

Finally, the temporary-help industry has changed dramatically to respond to the needs of business and workers for higher, more specialized skills. The composition, the wages and benefits, and the training for the contingent workforce has changed accordingly. Both public and private sectors can learn from the temporary-help industry's expertise in testing, training and placement.

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